

Transport for the North Board Meeting – Item 9

Subject: Continuation of TfN Activity

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Meeting Date: Thursday 5 April 2018

1. Executive Summary:

- 1.1 When TfN achieves statutory status in April 2018, it will continue to deliver activity on projects and programmes that was initiated in previous years.
- 1.2 In order to be able to continue to deliver against a range of challenging timescales in relation to this activity, it is necessary for TfN to be able to rely on commissioning and procurement activity that was previously undertaken on its behalf either under TfN's previous governance and decision-making structures, or by partner bodies in relation to the procurement of goods and services.
- 1.3 This paper sets out the proposed approach to ensuring that TfN is able to minimise the impact of the transition to statutory body status on its ongoing activity.

2. Issue:

- 2.1 TfN will come into being as a Sub-national Transport Body (STB) with a broad range of continuing activity that has been commissioned and procured under the operating arrangements set out in the in the document "Principles for Governing the Relationship between Transport for the North (TfN) and the Department for Transport (DfT)". This was originally agreed in July 2015 and updated in February 2017, and sets out the means by which TfN has commissioned and procured goods and services to date.
- 2.2 Under the terms of the Principles document, TfN has commissioned activity via its Commissioning Board, made up of Chief Executives (or their delegates) from TfN's partner authorities, and a representative from DfT. Some elements of Commissioning activity have been delegated to TfN's SMT, with all commissioning performed using this delegation presented monthly in TfN's Operating Report.

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- 2.3 Once properly commissioned, goods and services have then been procured via partner authorities on behalf of TfN, using their normal procurement processes. The majority of TfN's recent procurement activity has been carried out by Transport for Greater Manchester (TfGM), although there are substantial current contracts that have been procured through other bodies, including West Yorkshire Combined Authority (WYCA) and Sheffield City Region (SCR). In addition, a number of contracts originally procured by SCR were novated to Greater Manchester Combined Authority (GMCA) after the Accountable Body responsibilities were transferred in April 2017.
- 2.4 An exercise to recommission and re-procure all of TfN's ongoing activity would be time consuming and costly and would at the very least pose a serious risk to the deliverability of TfN's key programmes in line with targeted milestones, and in some cases absolutely prevent those targets from being achieved.
- 2.5 It is therefore proposed that from April 2018, TfN is able to continue to rely upon commissioning and procurements carried out on its behalf under the previous arrangements. This would involve two principal elements:
- a) Ongoing contracts with third party suppliers where goods or services have been commissioned under the Principles Document and procured on TfN's behalf by a partner authority;
 - b) Part-completed procurements where the commissioning process is complete and the procurement process has commenced, but a where a supplier has not yet been appointed.
- 2.6 All pre-STB commissioning approvals have been retained by TfN under its operating procedures. In addition, TfN has a record of both the procurement documentation and the contracts that have been signed on its behalf. It should be noted that partner authorities procured goods and services on TfN's behalf in the expectation that these contracts would novate to TfN at the appropriate time. TfN's budget for 2018/19 includes all pre-existing contracts that will be ongoing after April 2018, and all activity that is currently in procurement that will lead to expenditure in 2018/19.
- 2.7 In addition to changes in commissioning and procurement, TfN's change in status will also mean that GMCA is no longer required to act as the accountable body for TfN. GMCA will, however, still need to fund all costs incurred by partner bodies prior to TfN's change in status. Partner bodies will be encouraged to expedite claims to GMCA for costs incurred on TfN's behalf under existing funding agreements, but GMCA will need to retain sufficient cash from the monies that it holds on TfN's behalf to meet those claims.
- 2.8 TfN and GMCA will therefore follow a similar process to that which was used when GMCA took over from SCR as TfN's accountable body in

April 2017. TfN and GMCA, using information provided by partners, will calculate the amount that GMCA needs to hold to cover the accrued liabilities for 2017/18. This balance, plus a reasonable buffer will be retained by GMCA, with the balance being transferred into TfN's bank account once it becomes operational in April. GMCA will then pay claims as they fall due, with any uncommitted cash that remains at the end of the first quarter being transferred to TfN at that point.

- 2.9 It is not expected that any unforeseen TfN related liabilities will arise for GMCA during this transition period. However, there have in the past been limited instances of prior year claims being made which had not been accrued but which were for legitimately arising TfN expenditure. In such a circumstance, assuming that the amounts claimed are properly to the account of TfN, it would be necessary to grant funds back to GMCA to meet such liabilities.

3. Purpose: For Approval

- 3.1 That from April 2018, TfN is able to continue to rely upon commissioning and procurements carried out on its behalf under the previous arrangements, including:
- a) Ongoing contracts with third party suppliers where goods or services have been commissioned under the Principles Document and procured on TfN's behalf by a partner authority;
 - b) Part completed procurements where the commissioning process is complete and the procurement process has commenced, but a where a supplier has not yet been appointed.
- 3.2 That the arrangements set out in this paper for the transfer of TfN cash from GMCA as the current accountable body are confirmed, including TfN's ability to reimburse GMCA if so required for expenses incurred prior to April 2018.